

September 15, 2011

Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC

Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC

Dear Leaders Reid and McConnell:

On behalf of the Alliance for American Manufacturing (AAM) – a labor-management partnership forged between America’s leading manufacturers and the United Steelworkers – I write to express our strong support for passage of effective legislation to curb the market-distorting, job-killing practice of currency manipulation by China and other trading partners.

China and other trading partners intentionally devalue their currency in order to gain an artificial, unfair trade advantage over American-made goods. The net effect is a subsidy for Chinese-made goods that enter our market and a tax on our exports to China. The outcome is a massive and growing trade deficit for the U.S. economy, which means lost production, reduced wages, high unemployment, and larger budget deficits.

The Peterson Institute for International Economics recently reported that the yuan would need to appreciate by 25 percent on a trade weighted basis, or 40 percent to the dollar to maintain equilibrium. And if China were to revalue the yuan to its equilibrium level – and other Asian countries were to follow suit – the benefits for the U.S. economy over a period of 18 to 24 months would be significant, according to research by the Economic Policy Institute:

- U.S. GDP would increase by as much as \$285.7 billion (1.9%);
- The U.S. budget deficit would be lowered by up to \$71.4 billion per year – or between \$621 to \$857 billion over ten years, if sustained; and
- As many as 2.25 million American jobs would be created, enough to increase total U.S. employment by 1.6%.

There are no other policy options that would yield economic benefits on the same scale while also significantly reducing the deficit. And there are few policy options that enjoy such strong support. A new national, bipartisan poll conducted by AAM shows that 86 percent of voters favor penalizing nations like China that manipulate exchange rates and implement trade barriers to gain an unfair trade advantage.

Addressing China’s market-distorting, job-killing currency manipulation through legislative means enjoys overwhelming bipartisan support. Senators Sherrod Brown (D-OH) and Olympia Snowe (R-ME) are sponsors of S. 328, the *Currency Reform for Fair Trade Act*. Identical legislation passed the House in September 2010 by a margin of 348-79 – including

nearly all Democrats and 99 Republicans. Meanwhile, Senators Chuck Schumer (D-NY) and Lindsey Graham (R-SC) – who are preparing to introduce their own bill – pushed alternative legislation in 2005 that garnered 67 votes – including 29 Republicans.

Reports that the Senate will soon be considering currency legislation are encouraging. We support these efforts and look forward to working with you to hold China and other nations that engage in currency manipulation accountable. Doing so would boost GDP, create and preserve U.S. jobs, lower our trade deficit, and reduce budget deficits significantly.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott N. Paul". The signature is fluid and cursive, with a large, stylized initial "S" and "P".

Scott N. Paul
Executive Director